

ORIGINAL



SOUTHWEST GAS CORPORATION

Andrew W. Bettwy, Assistant General Counsel

January 19, 2005

Arizona Corporation Commission
DOCKETED

JAN 20 2005

Arizona Corporation Commission
Attention: Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY	<i>CAF</i>
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Re: Correction of Deficiencies – Southwest Gas Corporation General Rate
Case Application – Docket No. G-01551A-04-0876

Accompanying the original and fourteen (14) copies of this letter are the original
and fourteen (14) copies of the following revised Sheets, which substitute for the
corresponding Sheets in the above-referenced Application:

Sheet 1 of 3 [Schedule A-1]
Sheet 3 of 3 [Schedule A-1]
Sheet 1 of 1 [Schedule A-5]
Sheet 1 of 2 [Schedule B-1]
Sheet 1 of 1 [Schedule B-3]
Sheet 2 of 4 [Schedule D-2]
Sheet 1 of 2 [Schedule E-1]
Sheet 2 of 2 [Schedule E-1]
Sheet 1 of 1 [Schedule E-6]
Sheet 1 of 1 [Schedule F-2]
Sheet 1 of 2 [Schedule H-1]
Sheet 2 of 2 [Schedule H-1]
Workpapers – Sheet 2 [Schedule B-2, Adj. 20]
Workpapers – Sheet 1 [Schedule C-2, Adj. 11]
Workpapers – Sheet 3 [Schedule C-2, Adj. 17]

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Please accept the originals and thirteen (13) of the copies of this letter and the
accompanying Sheets for filing, and date/time stamp each of the remaining copies and
return them to me in the stamped, self-addressed envelope which also accompanies this
letter.



Arizona Corporation Commission
Attention: Docket Control
January 19, 2005
Page Two

Staff noted during the review of the above-referenced Application that Advances for Construction were not trended in the statement of Reconstruction Cost New Depreciated, and Staff requested that Southwest Gas Corporation (Southwest) include in this filing Southwest's reason for not having trended Advances for Construction. In essence, the reason is that the associated dollars are relatively current. Southwest is only allowed to retain Advances for Construction for a period of five (5) years, after which the unrefunded amounts are converted to Contributions in Aid of Construction. As Advances for Construction are refunded during the five (5)-year period, the unrefunded amounts decrease and, as a consequence, the bulk of the Advances for Construction represent dollars held for less than two years. Accordingly, any trending of Advances for Construction would result in an insignificant adjustment to the test year-end statement of Reconstruction Cost New Depreciated.

Thank you for the usual courtesy.

Respectfully,

Andrew W. Bettwy

Enclosures

c Jason D. Gellman, Esq.
Scott S. Wakefield, Esq.

SOUTHWEST GAS CORPORATION
ARIZONA
INCREASE IN GROSS REVENUE REQUIREMENT
FOR THE TWELVE MONTHS ENDED AUGUST 31, 2004

Line No.	Description (a)	Reference (b)	Original Cost (c)	Reconstruction Cost New Depreciated (d)	50% Original Cost 50% RCND Fair Value (e)	Line No.
1	Adjusted Rate Base	B-1	\$ 925,212,447	\$ 1,418,606,311	\$ 1,171,909,379	1
2	Adjusted Operating Income	C-1	\$ 44,233,345	\$ 44,233,345	\$ 44,233,345	2
3	Current Rate of Return		4.78%	3.12%	3.77%	3
4	Required Operating Income		\$ 86,957,942	\$ 86,957,942	\$ 86,957,942	4
5	Required Rate of Return	D-1	9.40%	6.13%	7.42%	5
6	Operating Income Deficiency (Ln 4 - Ln 2)				\$ 42,724,598	6
7	Gross Revenue Conversion Factor	C-3			1.6573	7
8	Increase in Gross Revenue Requirements				<u>\$ 70,809,128</u>	8

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SPREAD OF REVENUE INCREASE BY CUSTOMER CLASS
FOR THE TWELVE MONTHS ENDED AUGUST 31, 2004

Line No.	Description (a)	Proposed Schedule Number (b)	Increase/(Decrease) [1]		Line No.
			Dollars (e)	Percent (f)	
	<u>Sales Service</u>				
1	Residential Gas Service	G-5	\$ 50,863,570	15.46%	1
2	Low Income Residential Gas Service [2]	G-5	2,015,523	17.45%	2
3	Multi-Family Residential Gas Service	G-6	3,060,045	15.04%	3
4	Low Income Multi-Family Residential [2]	G-6	256,200	16.48%	4
5	Master Metered Mobile Home Park Gas Service	G-20	134,393	6.12%	5
	General Gas Service	G-25			
6	Small		2,152,189	28.93%	6
7	Medium		3,745,616	8.64%	7
8	Large		5,248,248	4.30%	8
9	Transporation Eligible		1,577,631	2.56%	9
10	Optional Gas Service	G-30	66,740	0.11%	10
11	Air Conditioning Gas Service	G-40	29,983	2.61%	11
12	Street Lighting Gas Service	G-45	6,988	6.92%	12
	Gas Service for Compression on Customer's Premises	G-55			
13	Small		1,983	1.56%	13
14	Large		65,232	4.93%	14
15	Residential		5,570	8.74%	15
16	Electric Generation Gas Service	G-60	215,137	2.70%	16
17	Small Essential Agriculture User Gas Service	G-75	112,672	5.17%	17
18	Natural Gas Engine Gas Service	G-80	(85)	0.00%	18
19	Total Sales and Full Margin Transportation		<u>\$ 69,557,635</u>	<u>10.13%</u>	19
20	Special Contract Service	B-1	0	0.00%	20
21	Other Operating Revenue		<u>1,250,597</u>	<u>12.28%</u>	21
22	Total Arizona Revenue		<u>\$ 70,808,232</u>	<u>10.40%</u>	22

[1] Schedule H-1, Sheet 1.

[2] Increase prior to low income benefit. Increase including low income benefit is reflected on Schedule H-7, Sheet 1.

**SOUTHWEST GAS CORPORATION
TOTAL SYSTEM
SUMMARY STATEMENT OF CASH FLOWS**

Line No.	Description (a)	Prior Years[1]		Test Year[1] 12 Months Ended 8/31/04 (d)	Projected Year[2]		Line No.
		Year Ended 2002 (b)	Year Ended 2003 (c)		At Present Rates Year Ended 12/31/05 (e)	At Proposed Rates Year Ended 12/31/05 (f)	
1	Cash Flows from Operating Activities	\$ 279,500,529	\$ 151,759,633	\$ 96,253,132	\$ 169,500,000	\$ 214,100,000	1
2	Cash Flows from Investing Activities	(239,904,161)	(211,928,184)	(235,138,929)	(263,100,000)	(263,100,000)	2
3	Cash Flows from Financing Activities	(50,886,754)	58,914,876	73,676,671	102,000,000	54,000,000	3
4	Increase (Decrease) in Cash and Cash Equivalents	\$ (11,290,386)	\$ (1,253,675)	\$ (65,209,126)	\$ 8,400,000	\$ 5,000,000	4

[1] Supporting Schedule E-3.

[2] Supporting Schedule F-2

SOUTHWEST GAS CORPORATION
ARIZONA
ADJUSTED ORIGINAL COST AND RCND RATE BASE
FOR THE TWELVE MONTHS ENDED AUGUST 31, 2004

Line No.	Description (a)	Schedule Reference (b)	Adjusted Original Cost Rate Base (c)	Adjusted RCND (d)	Fair Value [1] (e)	Line No.
1	Gas Plant in Service	B-2 & B-3	\$ 1,685,504,145	\$ 2,441,850,688	\$ 2,063,677,417	1
2	Accumulated Depreciation and Amortization	B-2 & B-3	593,542,006	856,494,684	725,018,345	2
3	Net Gas Plant in Service		\$ 1,091,962,139	\$ 1,585,356,004	\$ 1,338,659,072	3
<u>Additions</u>						
4	Working Capital	B-5	\$ 881,148	\$ 881,148	\$ 881,148	4
5	Total Additions		\$ 881,148	\$ 881,148	\$ 881,148	5
<u>Deductions</u>						
6	Customer Advances for Construction	B-6	\$ (7,027,372)	\$ (7,027,372)	\$ (7,027,372)	6
7	Customer Deposits	B-6	(23,912,141)	(23,912,141)	(23,912,141)	7
8	Deferred Income Taxes	B-6	(136,691,328)	(136,691,328)	(136,691,328)	8
9	Total Deductions		\$ (167,630,841)	\$ (167,630,841)	\$ (167,630,841)	9
10	Total Rate Base		\$ 925,212,447	\$ 1,418,606,311	\$ 1,171,909,379	10

[1] 50/50 weighting to Original Cost and Reconstructed Cost.

SOUTHWEST GAS CORPORATION
ARIZONA
RCND GAS PLANT IN SERVICE
AT AUGUST 31, 2004

Line No.	Description (a)	Reference (b)	Balance at 08/31/04 (c)	Adjustments (d)	Adjusted Balance (e)	Allocation Of System Allocable Amounts [1] (f)	Test Year Balance As Allocated at 08/31/04 (g)	Line No.
Gas Plant In Service								
1	Intangible Plant	B-2, Sh 1	\$ 3,271,604	\$ 431,082	\$ 3,702,686	\$ 61,170,431	\$ 64,873,118	1
2	Distribution Plant	B-4	2,236,345,320	(998,279)	2,235,347,041	0	2,235,347,041	2
3	General Plant	B-4	109,432,123	243,512	109,675,635	31,954,895	141,630,529	3
4	Total Gas Plant In Service		\$ 2,349,049,047	\$ (323,685)	\$ 2,348,725,362	\$ 93,125,326	\$ 2,441,850,688	4
Accumulated Provision for Depreciation and Amortization								
5	Intangible Plant	B-2, Sh 1	\$ 2,196,699	\$ 0	\$ 2,196,699	\$ 34,769,569	\$ 36,966,268	5
6	Distribution Plant	[2]	785,179,009	(318,494)	784,860,515	0	784,860,515	6
7	General Plant	[2]	19,509,899	0	19,509,899	15,158,003	34,667,902	7
8	Total Accumulated Depreciation and Amortization		\$ 806,885,607	\$ (318,494)	\$ 806,567,113	\$ 49,927,571	\$ 856,494,684	8
9	Total Net Gas Plant In Service		\$ 1,542,163,440	\$ (5,191)	\$ 1,542,158,249	\$ 43,197,755	\$ 1,585,356,004	9
System Allocable Gas Plant in Service								
10	Intangible Plant	B-2, Sh 1	\$ 104,762,572	\$ 1,473,459	\$ 106,236,031			10
11	General Plant	B-4	55,286,744	210,023	55,496,767			11
12	Total System Allocable Gas Plant		\$ 160,049,316	\$ 1,683,482	\$ 161,732,798			12
Accumulated Provision For Depreciation and Amortization								
13	Intangible Plant	B-2, Sh 1	\$ 60,385,073	\$ 0	\$ 60,385,073			13
14	General Plant	[2]	26,325,236	0	26,325,236			14
15	Total System Allocable Accumulated Depreciation and Amortization		\$ 86,710,309	\$ 0	\$ 86,710,309			15
16	System Allocable Net Gas Plant In Service		\$ 73,339,007	\$ 1,683,482	\$ 75,022,489			16

[1] Amounts are allocated to Arizona using the 4-Factor of 57.58% as calculated in Sch C-1, Sh 18.

[2] RCND accumulated provision for depreciation and amortization reflected as a percent of RCND gas plant in the same ratio as adjusted accumulated provision for depreciation and amortization as a percent of adjusted gas plant.

SOUTHWEST GAS CORPORATION
TOTAL ARIZONA
COST OF LONG-TERM FIXED RATE DEBT
AT AUGUST 31, 2004

Line No.	Description (a)	Principal Amount Outstanding (b)	Unamortized Debt Expense and Discount (c)	Net Proceeds (d)	Effective Interest Rate (e)	Cost of Debt (f)	Line No.
<u>Debentures</u>							
1	7.5% Debenture, Due 2006	\$ 75,000,000	\$ 1,889,326	\$ 73,110,674	8.96%	\$ 6,550,716	1
2	8.0% Debenture, Due 2026	75,000,000	6,380,396	68,619,604	8.89%	6,100,283	2
3	8.375% Note, Due 2011	200,000,000	2,286,851	197,713,149	8.61%	17,023,102	3
4	7.625% Note, Due 2012	200,000,000	1,926,649	198,073,351	7.79%	15,429,914	4
5	Total Debentures	\$ 550,000,000	\$ 12,483,222	\$ 537,516,778	8.39%	\$ 45,104,015	5
<u>Medium Term Notes</u>							
6	7.59% MTN, Due 2017	\$ 25,000,000	\$ 172,074	\$ 24,827,926	7.68%	\$ 1,906,785	6
7	7.78% MTN, Due 2022	25,000,000	191,074	24,808,926	7.86%	1,949,982	7
8	7.92% MTN, Due 2027	25,000,000	214,516	24,785,484	8.00%	1,982,839	8
9	6.89% MTN, Due 2007	17,500,000	54,408	17,445,592	7.00%	1,221,191	9
10	6.76% MTN, Due 2027	7,500,000	24,384	7,475,616	6.88%	514,322	10
11	6.27% MTN, Due 2008	25,000,000	114,113	24,885,887	6.40%	1,592,697	11
12	7.75% MTN, Due 2005	25,000,000	81,089	24,918,911	8.07%	2,010,956	12
13	Total Medium Term Notes	\$ 150,000,000	\$ 851,658	\$ 149,148,342	7.50%	\$ 11,178,772	13
14	Total Debentures and MTNs	\$ 700,000,000	\$ 13,334,880	\$ 686,665,120	8.20%	\$ 56,282,787	14
<u>Tax Exempt Clark County</u>							
15	1993 Series A, Due 2033	\$ 75,000,000	\$ 1,273,285	\$ 73,726,715	6.67%	\$ 4,917,572	15
16	1999 Series A, Due 2038	12,410,000	637,917	11,772,083	6.51%	766,363	16
17	1999 Series C, Due 2038	14,320,000	870,650	13,449,350	6.42%	863,448	17
18	1999 Series D, Due 2038	8,270,000	502,425	7,767,575	5.99%	465,278	18
19	2003 Series C, Due 2038	30,000,000	1,574,900	28,425,100	5.92%	1,682,766	19
20	2003 Series D, Due 2038	20,000,000	1,758,495	18,241,505	6.04%	1,101,787	20
21	2003 Series E, Due 2038	15,000,000	207,240	14,792,760	5.92%	875,731	21
22	2004 Series A, Due 2034	65,000,000	3,644,949	61,355,051	6.02%	3,693,574	22
23	Total Tax Exempt	\$ 240,000,000	\$ 10,469,861	\$ 229,530,139	6.26%	\$ 14,366,519	23
24	Total Fixed-Rate Debt	\$ 940,000,000	\$ 23,804,741	\$ 916,195,259	7.71%	\$ 70,649,306	24

Sch D-2, Sheet 1

**SOUTHWEST GAS CORPORATION
COMPARATIVE BALANCE SHEETS**

Line No.	Description (a)	Balance at 08/31/04		Balance at 12/31/03		Balance at 12/31/02		Line No.
		Arizona (b)	Other (c)	Total (d)	Arizona (e)	Other (f)	Total (g)	
	Assets and Other Debits							
1	Utility Plant							1
2	Utility Plant (101, 105, 114, 118)	\$ 1,596,860,360	\$ 1,448,008,790	\$ 3,044,869,150	\$ 1,515,933,293	\$ 1,377,536,165	\$ 2,893,469,458	2
3	Construction Work in Progress (107)	6,249,731	15,116,592	21,366,323	14,739,849	18,749,643	33,489,492	3
4	Total Utility Plant	\$ 1,603,110,091	\$ 1,463,125,382	\$ 3,066,235,473	\$ 1,530,673,142	\$ 1,396,285,808	\$ 2,926,958,950	4
5	Less: Accumulated Provision for Depreciation and Amortization (108, 111, 119)	546,303,859	436,780,778	983,084,637	510,587,342	402,855,452	913,442,794	5
6	Net Utility Plant	\$ 1,056,806,232	\$ 1,026,344,604	\$ 2,083,150,836	\$ 1,020,085,800	\$ 993,430,356	\$ 2,013,516,156	6
7	Other Property and Investments							7
8	Northern California Surcharge (120)	\$ -	\$ 7,390,694	\$ 7,390,694	\$ -	\$ 9,375,439	\$ 9,375,439	8
9	Non-Utility Property (121)	330,018	80,018	410,036	330,018	80,018	410,036	9
10	Non-Utility Accumulated Depreciation (122)	-	-	-	-	-	-	10
11	Investment in Subsidiary and Associated Companies (123, 123.1)	-	103,878,478	103,878,478	-	98,284,509	98,284,509	11
12	Other Investments (124)	-	250,000	250,000	-	-	-	12
13	Special Funds (125, 128)	-	44,428,287	44,428,287	-	43,251,175	43,251,175	13
14	Total Other Property and Investments	\$ 330,018	\$ 156,027,487	\$ 156,357,505	\$ 330,018	\$ 150,991,141	\$ 151,321,159	14
15	Current and Accrued Assets							15
16	Cash (131)	\$ -	\$ (11,786,944)	\$ (11,786,944)	\$ -	\$ (3,922,702)	\$ (3,922,702)	16
17	Working Funds (135)	-	552,044	552,044	-	405,928	405,928	17
18	Temporary Cash Investments (136)	-	10,083,675	10,083,675	-	7,023,359	7,023,359	18
19	Notes and Accounts Receivables Less Accumulated Provision for Uncollectible Accounts (141 - 144)	17,649,273	41,471,008	59,120,281	5,303,709	96,916,532	102,220,241	19
20	Receivables from Associated Companies (145-146)	-	23,715,869	23,715,869	-	25,007,230	25,007,230	20
21	Materials and Supplies (151, 154, 155, 163)	1,052,979	19,572,698	20,625,677	887,378	15,691,118	16,578,496	21
22	Liquidated Natural Gas Stored (164.1, 164.2)	-	7,563,546	7,563,546	-	8,900,293	8,900,293	22
23	Prepayments (165)	-	7,905,770	7,905,770	-	6,294,043	6,294,043	23
24	Interest and Dividends Receivable (171)	-	-	-	-	923	923	24
25	Accrued Utility Revenue (173)	-	28,200,000	28,200,000	-	66,700,000	66,700,000	25
26	Miscellaneous Current and Accrued Assets (174)	-	10,669,629	10,669,629	-	356,920	356,920	26
27	Total Current and Accrued Assets	\$ 18,702,253	\$ 137,947,294	\$ 156,649,547	\$ 6,191,087	\$ 223,373,644	\$ 229,564,731	27
28	Deferred Debits							28
29	Unamortized Debt Discount and Expenses (181)	\$ -	\$ 12,019,300	\$ 12,019,300	\$ -	\$ 9,148,218	\$ 9,148,218	29
30	Other Regulatory Assets (182)	4,948,368	29,200,353	34,148,721	5,995,221	39,174,301	45,169,522	30
31	Preliminary Survey and Investigation Charges (183)	-	185,385	185,385	-	118,400	118,400	31
32	Clearing Accounts (184)	430,896	169,779	600,675	16,838	24,703	41,541	32
33	Miscellaneous Deferred Debits (186)	5,871,908	600,539	6,472,447	5,625,056	503,616	6,128,672	33
34	Research & Development (188)	-	37,400	37,400	-	-	-	34
35	Loss on Recaptured Debt (189)	-	17,684,272	17,684,272	-	18,559,924	18,559,924	35
36	Accumulated Deferred Income Taxes (190)	-	36,680,538	36,680,538	-	36,680,538	36,680,538	36
37	Unrecovered Purchased Gas Costs (191)	4,925,174	48,654,718	53,579,892	(5,832,080)	14,983,253	9,151,173	37
38	Total Deferred Debits	\$ 16,176,146	\$ 145,232,284	\$ 161,408,430	\$ 5,805,036	\$ 119,192,952	\$ 124,997,988	38
39	Total Assets and Other Debits	\$ 1,092,014,649	\$ 1,465,551,669	\$ 2,557,566,318	\$ 1,032,411,942	\$ 1,486,988,092	\$ 2,519,400,034	39
40	Liabilities and Credits							40
41	Accounts Payable and Other Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	41
42	Deferred Debits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	42
43	Deferred Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	43
44	Total Liabilities and Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	44

**SCHEDULE E-1
Sheet 1 of 2
REVISED**

NOTE: The Arizona columns above reflect only those amounts separately identified in the Southwest Gas general ledger as pertaining solely to Arizona. Allocations are not included, thus the debits and credits in the Arizona columns do not balance. The financial statements appearing herein are unaudited, and were prepared solely for the purposes of complying with the filing requirements for this general rate case.

SOUTHWEST GAS CORPORATION COMPARATIVE BALANCE SHEETS

Line No.	Description	Balance at 08/31/04			Balance at 12/31/03			Balance at 12/31/02			Line No.
		Arizona	Other	Total	Arizona	Other	Total	Arizona	Other	Total	
Liabilities and Other Credits											
(a)											
Proprietary Capital											
1	Common Stock Issued (201)	\$	-	\$ 37,161,054	\$	-	\$ 35,861,974	\$	-	\$ 34,918,891	1
2	Preferred Stock Issued (204)	-	-	-	-	-	-	-	-	60,000,000	2
3	Premium on Capital Stock (207)	-	-	545,600,121	-	-	519,672,931	-	-	499,313,268	3
4	Other Paid in Capital (208-211)	-	-	-	-	-	-	-	-	-	4
5	Reacquired Capital Stock (217)	-	-	-	-	-	-	-	-	-	5
6	Capital Stock Expense (214)	-	-	(9,290,914)	-	-	(9,151,645)	-	-	(11,525,575)	6
7	Retained Earnings (216)	-	-	89,508,423	-	-	84,084,148	-	-	73,460,267	7
8	Total Proprietary Capital	\$	-	\$ 662,978,684	\$	-	\$ 630,467,408	\$	-	\$ 656,166,851	8
Long-Term Debt											
9	Bonds (221, 222)	\$	-	\$ 1,090,000,000	\$	-	\$ 1,025,000,000	\$	-	\$ 990,000,000	9
10	Other Long-Term Debt (224, 226)	-	-	91,436,630	-	-	92,056,568	-	-	90,296,692	10
11	Other - Preferred Securities (224.1)	-	-	100,000,000	-	-	100,000,000	-	-	-	11
12	Total Long-Term Debt	\$	-	\$ 1,281,436,630	\$	-	\$ 1,217,056,568	\$	-	\$ 1,080,296,692	12
Current and Accrued Liabilities											
13	Notes Payable (231)	\$	-	\$ 27,000,000	\$	-	\$ 52,000,000	\$	-	\$ 53,000,000	13
14	Accounts Payable (232)	-	-	48,416,825	-	-	96,006,361	-	-	66,512,269	14
15	Payables to Associated Companies (233, 234)	-	-	7,054,800	-	-	7,205,109	-	-	6,782,649	15
16	Customer Deposits (235)	25,677,507	-	21,958,479	23,685,477	-	20,604,921	17,345,451	-	34,313,441	16
17	Taxes Accrued (236)	17,003,051	-	10,360,907	11,993,576	-	(2,423,076)	13,519,000	-	20,391,462	17
18	Interest Accrued (237)	720,604	-	16,714,661	700,567	-	18,964,104	499,020	-	21,136,863	18
19	Dividends Declared (238)	-	-	7,243,564	7,243,564	-	7,017,580	7,017,580	-	6,824,257	19
20	Tax Collections Payable (241)	7,280,422	-	5,028,063	10,258,432	-	6,762,745	9,566,324	-	16,017,409	20
21	Miscellaneous Current and Accrued Liabilities (242)	1,785,695	-	62,442,379	1,735,386	-	59,641,322	2,653,442	-	62,971,415	21
22	Total Current and Accrued Liabilities	\$	52,467,280	\$ 204,433,982	\$	48,373,438	\$ 253,785,490	\$	43,583,236	\$ 287,949,765	22
Deferred Credits											
23	Customer Advances for Construction (252)	\$	8,175,998	\$ 10,372,831	\$	18,548,829	\$ 9,300,478	\$	4,392,789	\$ 6,679,550	23
24	Other Deferred Credits (253)	26,392	-	33,160,344	26,392	-	31,531,159	26,392	-	28,255,488	24
25	Other Regulatory Liabilities (254)	18,944	-	8,097,183	8,116,127	-	8,441,687	24,111	-	8,995,660	25
26	Accumulated Deferred Investment Tax Credit (255)	7,660,870	-	4,693,763	12,354,653	-	4,919,927	8,541,470	-	13,800,613	26
27	Accumulated Deferred Income Taxes (282, 283)	147,282,013	-	133,533,875	280,815,888	-	155,085,077	127,697,660	-	216,402,215	27
28	Total Deferred Credits	\$	163,164,217	\$ 189,858,016	\$	363,022,233	\$ 209,278,328	\$	140,682,422	\$ 278,552,707	28
Other Long-Term Liabilities											
29	Injuries and Damages Reserve (226)	\$	-	\$ 3,227,509	\$	3,227,509	\$ 3,949,509	\$	-	\$ 2,450,000	29
30	Provision for Rate Refunds (229)	-	-	-	-	-	-	-	-	-	30
31	Total Other Long-Term Liabilities	\$	-	\$ 3,227,509	\$	3,227,509	\$ 3,949,509	\$	-	\$ 2,450,000	31
32	Total Liabilities and Other Credits	\$	215,631,496	\$ 2,341,934,822	\$	2,557,566,318	\$ 2,314,537,303	\$	184,265,658	\$ 2,121,150,357	32

NOTE: The Arizona columns above reflect only those amounts separately identified in the Southwest Gas general ledger as pertaining solely to Arizona. Allocations are not included, thus the debits and credits in the Arizona columns do not balance. The financial statements appearing herein are unaudited, and were prepared solely for the purposes of complying with the filing requirements for this general rate case.

SOUTHWEST GAS CORPORATION
ARIZONA
COMPARATIVE DEPARTMENTAL OPERATING INCOME STATEMENTS

Line No.	Description	For the Test Year Ended 8/31/04	For the Year Ended 12/31/03	For the Year Ended 12/31/02	Line No.
	(a)	(b)	(c)	(d)	
Revenues					
1	Residential	\$ 343,721,617	\$ 309,874,359	\$ 342,041,183	1
2	Small Commercial	153,667,156	139,953,245	158,792,305	2
3	Large Commercial	26,177,756	23,775,125	30,957,627	3
4	Small Industrial	24,609,297	22,297,004	27,253,289	4
5	Commercial-Compressed Nat. Gas	1,408,137	1,228,584	1,336,664	5
6	Irrigation/Water Pumping	12,718,204	11,664,286	10,508,866	6
7	Industrial-Essential Agriculture	6,213,502	6,116,022	9,612,842	7
8	Procurement Sales	59,580,963	58,894,947	54,340,966	8
9	Other Gas Sales	196,127	763,118	609,942	9
10	Transportation of Gas for Others	9,099,185	8,984,026	6,978,565	10
11	Rent from Gas Property	752,458	701,258	582,461	11
12	Other Gas Revenues	(8,293)	0	0	12
13	Miscellaneous Service Revenue	9,416,690	8,631,478	8,388,792	13
14	LIRA Program Recovery	(200,569)	(89,821)	390,029	14
15	Accrued Unbilled Revenues	(75,161)	897,077	710,764	15
16	Total Revenues	<u>\$ 647,277,069</u>	<u>\$ 593,690,708</u>	<u>\$ 652,504,295</u>	16
Operating Expenses					
17	Other Gas Supply and Gas Cost	\$ 327,853,609	\$ 286,170,431	\$ 341,588,362	17
18	Transmission	0	5,904	(4,212)	18
19	Distribution	75,753,130	70,154,844	65,851,849	19
20	Customer Accounts	33,133,096	33,063,560	34,184,827	20
21	Customer Service & Information	596,225	451,289	834,637	21
22	Sales	512,205	514,931	919,423	22
23	Administrative and General	48,643,559	44,713,886	40,385,834	23
24	Depreciation and Amortization	73,461,654	70,355,962	67,084,594	24
25	Interest on Customer Deposits	1,404,209	1,231,254	965,940	25
26	Taxes Other Than Income	29,122,261	28,003,506	27,204,986	26
27	Income Taxes - Federal	5,075,520	6,157,711	11,244,598	27
28	Income Taxes - State	1,214,551	1,446,138	2,431,072	28
29	Total Expenses	<u>\$ 596,770,019</u>	<u>\$ 542,269,416</u>	<u>\$ 592,691,910</u>	29
30	Operating Income	<u>\$ 50,507,050</u>	<u>\$ 51,421,292</u>	<u>\$ 59,812,385</u>	30

**SOUTHWEST GAS CORPORATION
TOTAL SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS**

Line No.	Description (a)	Test Year[1] Ended 8/31/04 (b)	Projected Year[2]		Line No.
			At Present Rates	At Proposed Rates	
			Year Ended 12/31/05 (c)	Year Ended 12/31/05 (d)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
1	Net Income	\$ 48,046,294	\$ 52,700,000	\$ 98,000,000	1
	Adjustments to reconcile net income to net cash provided by operating activities:				
2	Depreciation and amortization	123,732,698	133,300,000	133,300,000	2
3	Deferred income taxes	38,216,360	5,000,000	9,900,000	3
4	Changes in current assets and liabilities:				4
5	Accounts receivable	(1,019,191)	(5,000,000)	(18,000,000)	5
6	Accrued utility revenue	-	(1,600,000)	(1,600,000)	6
7	Unrecovered purchased gas costs	(81,682,508)	(19,600,000)	(19,600,000)	7
8	Accounts payable	8,135,968	(11,500,000)	(11,900,000)	8
9	Accrued taxes	7,945,147	1,100,000	8,900,000	9
10	Other	(47,121,636)	15,100,000	15,100,000	10
11	Net cash provided by operating activities	<u>96,253,132</u>	<u>169,500,000</u>	<u>214,100,000</u>	11
CASH FLOWS FROM INVESTING ACTIVITIES:					
12	Construction expenditures	(262,645,182)	(257,600,000)	(257,600,000)	12
13	Other	27,506,253	(5,500,000)	(5,500,000)	13
14	Net cash used in investing activities	<u>(235,138,929)</u>	<u>(263,100,000)</u>	<u>(263,100,000)</u>	14
CASH FLOWS FROM FINANCING ACTIVITIES:					
15	Issuance of common stock	36,913,347	39,700,000	39,700,000	15
16	Issuance of preferred securities, net	(537,824)	-	-	16
17	Retirement of preferred securities	(60,000,000)	-	-	17
18	Dividends paid	(28,101,735)	(30,400,000)	(30,400,000)	18
19	Issuance of long-term debt, net	98,402,883	225,000,000	200,000,000	19
20	Retirement of long-term debt	-	(125,000,000)	(125,000,000)	20
21	Issuance (repayment) of short-term debt	27,000,000	(7,300,000)	(30,300,000)	21
22	Net cash provided by (used in) financing activities	<u>73,676,671</u>	<u>102,000,000</u>	<u>54,000,000</u>	22
23	Change in cash and temporary cash investments	(65,209,126)	8,400,000	5,000,000	23
24	Cash at beginning of period	77,374,957	5,400,000	5,400,000	24
25	Cash at end of period	<u>\$ 12,165,831</u>	<u>\$ 13,800,000</u>	<u>\$ 10,400,000</u>	25

[1] Supporting Schedule E-3.

[2] Recap Schedule A-5.

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF REVENUES AT PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED AUGUST 31, 2004

Line No.	Description (a)	Proposed Schedule Number (b)	Revenues		Increase/(Decrease)		Line No.
			Present Rates [1] (c)	Proposed Rates [2] (d)	Dollars (e)	Percent (f)	
	<u>Sales Service</u>						
1	Residential Gas Service	G-5	\$ 329,052,995	\$ 379,916,565	\$ 50,863,570	15.46%	1
2	Low Income Residential Gas Service [3]	G-5	11,550,963	13,566,486	2,015,523	17.45%	2
3	Multi-Family Residential Gas Service	G-6	20,344,346	23,404,391	3,060,045	15.04%	3
4	Low Income Multi-Family Residential [3]	G-6	1,555,044	1,811,244	256,200	16.48%	4
5	Master Metered Mobile Home Park Gas Service	G-20	2,194,379	2,328,772	134,393	6.12%	5
	General Gas Service	G-25					
6	Small		7,438,688	9,590,877	2,152,189	28.93%	6
7	Medium		43,343,592	47,089,208	3,745,616	8.64%	7
8	Large		122,121,737	127,369,985	5,248,248	4.30%	8
9	Transporation Eligible		61,704,477	63,282,108	1,577,631	2.56%	9
10	Optional Gas Service	G-30	61,408,388	61,475,128	66,740	0.11%	10
11	Air Conditioning Gas Service	G-40	1,148,592	1,178,575	29,983	2.61%	11
12	Street Lighting Gas Service	G-45	100,965	107,953	6,988	6.92%	12
	Gas Service for Compression on Customer's Premises	G-55					
13	Small		126,958	128,941	1,983	1.56%	13
14	Large		1,322,363	1,387,595	65,232	4.93%	14
15	Residential		63,766	69,336	5,570	8.74%	15
16	Electric Generation Gas Service	G-60	7,970,039	8,185,176	215,137	2.70%	16
17	Small Essential Agriculture User Gas Service	G-75	2,179,703	2,292,375	112,672	5.17%	17
18	Natural Gas Engine Gas Service	G-80	13,037,945	13,037,860	(85)	0.00%	18
19	Total Gas Sales		<u>\$ 686,864,939</u>	<u>\$ 756,222,574</u>	<u>\$ 69,557,635</u>	<u>10.13%</u>	19
20	Special Contract Service	B-1	2,134,837	2,134,837	0	0.00%	20
21	Other Operating Revenue		<u>10,183,883</u>	<u>11,434,480</u>	<u>1,250,597</u>	<u>12.28%</u>	21
22	Total Arizona Revenue		<u>\$ 698,983,659</u>	<u>\$ 769,791,891</u>	<u>\$ 70,808,232</u>	<u>10.13%</u>	22
23	Less Estimated Gas Cost for Transportation customers		<u>\$(18,346,462)</u>	<u>\$(18,346,462)</u>			23
24	Total Excluding Estimated Gas Cost for Transportation customers		<u>\$ 680,637,198</u>	<u>\$ 751,445,430</u>	<u>\$ 70,808,232</u>	<u>10.40%</u>	24
25	Total Requirement			<u>\$ 751,446,319</u>			25
26	Over/(Under) Requirement			<u>\$ 889</u>			26

[1] Schedule H-2, Sheets 4-8, including estimated gas cost for transportation customers.

[2] Schedule H-6, Sheets 9-11, including estimated gas cost for transportation customers.

[3] Revenue prior to low income benefit. Revenue including low income benefit is reflected on Schedule H-7, Sheet 1, Column (k).

SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
SUMMARY OF MARGIN AT PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED AUGUST 31, 2004

Line No.	Description (a)	Proposed Schedule Number (b)	Margin		Increase/(Decrease)		Line No.
			Present Rates [1] (c)	Proposed Rates [2] (d)	Dollars (e)	Percent (f)	
	<u>Sales Service</u>						
1	Residential Gas Service	G-5	\$ 190,026,871	\$ 240,890,441	\$ 50,863,570	26.77%	1
2	Low Income Residential Gas Service [3]	G-5	6,553,407	8,568,930	2,015,523	30.76%	2
3	Multi-Family Residential Gas Service	G-6	12,503,879	15,563,924	3,060,045	24.47%	3
4	Low Income Multi-Family Residential [3]	G-6	920,422	1,176,622	256,200	27.84%	4
5	Master Metered Mobile Home Park Gas Service	G-20	883,856	1,018,249	134,393	15.21%	5
	General Gas Service	G-25					
6	Small		5,415,035	7,567,224	2,152,189	39.74%	6
7	Medium		20,350,243	24,095,859	3,745,616	18.41%	7
8	Large		46,243,388	51,491,636	5,248,248	11.35%	8
9	Transportation Eligible		15,855,591	17,433,222	1,577,631	9.95%	9
10	Optional Gas Service	G-30	5,476,592	5,543,332	66,740	1.22%	10
11	Air Conditioning Gas Service	G-40	167,216	197,199	29,983	17.93%	11
12	Street Lighting Gas Service	G-45	47,592	54,580	6,988	14.68%	12
	Gas Service for Compression on Customer's Premises	G-55					
13	Small		29,537	31,520	1,983	6.71%	13
14	Large		307,716	372,948	65,232	21.20%	14
15	Residential		21,167	26,737	5,570	26.31%	15
16	Electric Generation Gas Service	G-60	1,405,352	1,620,489	215,137	15.31%	16
17	Small Essential Agriculture User Gas Service	G-75	605,972	718,644	112,672	18.59%	17
18	Natural Gas Engine Gas Service	G-80	3,733,422	3,733,337	(85)	(0.00%)	18
19	Total Sales and Full Margin Transportation		<u>\$ 310,547,258</u>	<u>\$ 380,104,893</u>	<u>\$ 69,557,635</u>	<u>22.40%</u>	19
20	Special Contract Service	B-1	2,134,837	2,134,837	0	0.00%	20
21	Other Operating Revenue		10,183,883	11,434,480	1,250,597	12.28%	21
23	Total Arizona Revenue		<u>\$ 322,865,978</u>	<u>\$ 393,674,210</u>	<u>\$ 70,808,232</u>	<u>21.93%</u>	23
24	Total Requirement			<u>\$ 393,675,099</u>			24
25	Over/(Under) Requirement			<u>\$ 889</u>			25

[1] Schedule H-2, Sheets 4-8.

[2] Schedule H-6, Sheets 9-11.

[3] Margin prior to low income benefit. Low income margin benefit is reflected on Schedule H-7, Sheet 1, Column (m).

SOUTHWEST GAS CORPORATION
SYSTEM ALLOCABLE
COMPLETED CONSTRUCTION NOT CLASSIFIED
ADJUSTMENT NO. 20

Line No.	Description [1] (a)	Account (b)	52 (c)	55 (d)	57 (e)	61 (f)	63 (g)	72 (h)	Total System Allocable (i)	Line No.
1	<u>Intangible Plant</u>									
	Miscellaneous Intangible	303.0	\$ 383,483	\$ 0	\$ 0	\$ 335,735	\$ 0	\$ 0	\$ 719,218	1
2	Total Intangible Plant		\$ 383,483	\$ 0	\$ 0	\$ 335,735	\$ 0	\$ 0	\$ 719,218	2
3	<u>General Plant</u>									
	Structures	390.1	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3
4	Office Furniture & Equipment	391.0	0	0	8,162	4,145	0	0	12,307	4
5	Computer Equipment	391.1	0	0	0	38,811	89,216	0	128,028	5
6	Transportation Equipment	392.1	24,720	0	0	0	0	25,787	50,507	6
7	Stores Equipment	393.0	0	0	0	0	0	0	0	7
8	Tools, Shop, & Garage Equipment	394.0	1,082	0	0	15,638	0	0	16,720	8
9	Power Operated Equipment	396.0	0	0	0	0	0	0	0	9
10	Communication Equipment	397.0	0	0	0	0	0	0	0	10
11	Telemetering Equipment	397.2	0	0	0	0	0	0	0	11
12	Miscellaneous Equipment	398.0	0	2,462	0	0	0	0	2,462	12
13	Total General Plant		\$ 25,802	\$ 2,462	\$ 8,162	\$ 58,594	\$ 89,216	\$ 25,787	\$ 210,023	13
14	Total		\$ 409,285	\$ 2,462	\$ 8,162	\$ 394,329	\$ 89,216	\$ 25,787	\$ 929,241	14

[1] Supporting Workpapers B-2, Adj. 20

SOUTHWEST GAS CORPORATION

ARIZONA

PIPE REPLACEMENT

ADJUSTMENT PER DECISION NO. 58693

ADJUSTMENT NO. 11

Line No.	Description (a)	2000 (b)	2001 (c)	2002 (d)	2003 (e)	2004 (f)	Total Gross Plant (g)	Accumulated Depreciation (h)	Deferred Taxes (i)	Total Adjustment to Rate Base (j) - (g)+(h)+(i)	Line No.
<u>Aldyl HD Mains</u>											
1	Footage Replaced	2,459	10,064	10,532	3,638	2,530	29,223				1
2	Cost Per Foot	\$ 6.42	\$ 14.94	\$ 8.68	\$ 22.59	\$ 15.46					2
3	Replacement Cost	\$ 15,796	\$ 150,399	\$ 91,463	\$ 82,185	\$ 39,107	\$ 378,951				3
4	Disallowance percent	50.0%	47.5%	45.0%	42.5%	40.0%					4
5	Disallowance	\$ 7,898	\$ 71,440	\$ 41,158	\$ 34,929	\$ 15,643	\$ 171,068	\$ 32,436	\$ 18,044	\$ (120,588)	5
<u>Aldyl HD Services</u>											
6	Footage Replaced	9,776	35,016	30,257	46,614	40,813	162,476				6
7	Cost Per Foot	\$ 20.85	\$ 16.11	\$ 19.19	\$ 15.62	\$ 15.94					7
8	Replacement Cost	\$ 203,854	\$ 564,117	\$ 580,723	\$ 728,319	\$ 650,523	\$ 2,727,536				8
9	Disallowance percent	50.00%	47.50%	45.00%	42.50%	40.00%					9
10	Disallowance	\$ 101,927	\$ 267,956	\$ 261,325	\$ 309,536	\$ 260,209	\$ 1,200,953	\$ 262,907	\$ 147,597	\$ (790,449)	10
11	Total Disallowance	\$ 109,825	\$ 339,395	\$ 302,484	\$ 344,465	\$ 275,852	\$ 1,372,020	\$ 295,343	\$ 165,641	\$ (911,037)	11

SOUTHWEST GAS CORPORATION
ARIZONA
AMORTIZATION OF GAS PLANT ACQUISITION ADJUSTMENTS
AND REGULATORY ASSETS

Line No.	Description (a)	Account Number (b)	Monthly Provision (c)	Annualized Provision (d)	Recorded at 08/31/04 (e)	Adjustment (f)	Line No.
1	Amortization of Ajo Acquisition Adjustment	406	\$ (4,416)	\$ (52,996)	\$ (52,996)	\$ -	1
2	Total Account 406		\$ (4,416)	\$ (52,996)	\$ (52,996)	\$ -	2
3	Amortization of PBOP Costs	407.3	\$ 28,127	\$ 337,524	\$ 337,524	\$ -	3
4	Amortization of Service Investigation [1]	407.3	45,800	549,600	549,600	(549,600)	4
5	Amortization of TRIMP Costs [2]	407.3	98,611	1,183,333	-	1,183,333	5
6	Amortization of Sarbanes-Oxley Costs [3]	407.3	2,279	27,346	-	27,346	6
7	Total Account 407		\$ 174,817	\$ 2,097,804	\$ 887,124	\$ 661,080	7

[1] Amortization ends October 31, 2005

[2] Supporting Schedule C-2, Adj 12.

[3] Amortization calculated as follows:

Reclassified Balance (WP C-2, Adj 8)	\$ 148,861
Paiute and SGTC Allocation	(6,382)
Total After Paiute and SGTC Alloc	\$ 142,479
4-Factor Allocation to Arizona	57.58%
Reclassified Balance Alloc to AZ	\$ 82,039
Requested Amortization Period (in Months)	36
Monthly Amortization	\$ 2,279
Annualization (in Months)	12
Annualized Amort. Expense - Sarbanes-Oxley	\$ 27,346